

Dearborn Heights Tax Increment Finance Authority

**Financial Report
with Required Supplemental Information
June 30, 2003**

Dearborn Heights Tax Increment Finance Authority

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Independent Auditor's Report

To the Board of Directors
Dearborn Heights Tax Increment
Finance Authority
Dearborn Heights, Michigan

We have audited the accompanying financial statements of each fund and the governmental-wide activities of the Dearborn Heights Tax Increment Finance Authority as of and for the year ended June 30, 2003, which collectively comprise the Tax Increment Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dearborn Heights Tax Increment Finance Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each fund and the governmental-wide activities of the Dearborn Heights Tax Increment Finance Authority as of June 30, 2003 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplemental information (identified in the table of contents) are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note 10, the Authority has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2002.

Plante & Moran, PLLC

October 7, 2003

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Dearborn Heights Tax Increment Finance Authority

Management's Discussion and Analysis

Our discussion and analysis of the Dearborn Heights Tax Increment Finance Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2003:

- Captured property tax revenue, the Authority's largest revenue source, increased approximately 2 percent over the prior year.
- The Authority spent approximately \$8.6 million on the construction of the Police and Court Facility.
- The Authority spent approximately \$155,000 on pre-construction costs for the John F. Kennedy Library.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The governmental funds financial statements present a short-term view; they illustrate how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements, by providing information about the Authority's funds.

Dearborn Heights Tax Increment Finance Authority

Management's Discussion and Analysis (Continued)

The Authority as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2003 and compared to the prior year:

	2003	2002
Assets		
Current assets	\$ 10,516,897	\$ 19,736,827
Noncurrent assets	24,290,779	15,884,600
Total assets	34,807,676	35,621,427
Liabilities		
Current liabilities	2,177,205	3,321,528
Long-term liabilities	26,415,000	27,000,000
Total liabilities	28,592,205	30,321,528
Net Assets		
Invested in capital assets - Net of related debt	(32,660)	(412,360)
Unrestricted	6,248,131	5,712,259
Total net assets	<u>\$ 6,215,471</u>	<u>\$ 5,299,899</u>

The Authority's total net assets increased over 2002 by approximately \$915,000, or 17 percent. This is primarily due to the timing of certain activities. The storm sewer cleaning project that was expected to result in spending approximately \$693,000 in 2003 only resulted in spending of approximately \$137,000. In addition, expected water main replacement expenses for Van Born and Inkster Roads were approximately \$600,000; however, only \$403,000 was spent in the current year.

Dearborn Heights Tax Increment Finance Authority

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year, and as compared to the prior year:

	2003	2002
Revenue		
Property taxes	\$ 3,062,996	\$ 3,005,817
Interest and other	569,138	713,106
Total revenue	3,632,134	3,718,923
Program Expenses		
Public safety	31,616	156,498
Public works	1,013,809	2,038,435
Community and economic development	127,371	-
Recreation and culture	194,643	-
Interest on long-term debt	1,349,123	1,200,215
Total program expenses	2,716,562	3,395,148
Change in Net Assets	\$ 915,572	\$ 323,775

Total revenue for the Authority remained consistent with the prior year and as expected by management. Total expenses decreased approximately \$679,000, or 20 percent. This is due to the decreased spending on water main replacements and storm sewer cleaning.

The Authority's Funds

The fund financial statements provide detailed information about the funds of the Authority, not the Authority as a whole. The Board of Directors creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as bond proceeds. The Authority's funds for 2003 include the Operating Fund, Police and Court Building Capital Project Fund, and Debt Service Fund.

Operating Fund Budgetary Highlights

The Operating Fund of the Authority accounts for all of the annual projects as planned by the Board of Directors. The Operating Fund spent approximately \$2.2 million in the current year, which was \$851,000 more than budgeted. This is primarily due to expenditures for projects that the Authority did not specifically budget for, including library improvements, interest expense, and transfers out.

Dearborn Heights Tax Increment Finance Authority

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

The Authority spent approximately \$8.6 million on the construction of the Police and Court Facility. As of June 30, 2003, the Authority is still committed to spend approximately \$912,000 on this project. In addition, the Authority paid approximately \$1.3 million in interest on outstanding bonds in the current year.

Economic Factors and Next Year's Budgets

Subsequent to year end, the Central Wayne County Sanitation Authority ceased operations. The Sanitation Authority accounts for approximately 20.4 percent of the Authority's captured tax base. See additional information in Note 11.

Contacting the Management of the Dearborn Heights Tax Increment Finance Authority

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Dearborn Heights' Tax Increment Finance Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City of Dearborn Heights' finance office at 6045 Fenton, Dearborn Heights, MI 48127.

Dearborn Heights Tax Increment Finance Authority

Governmental Funds Balance Sheet/Statement of Net Assets June 30, 2003

	Operating Fund	Police and Court Building Capital Project Fund	Debt Service Fund	Total	Adjustments (Note 3)	Government- wide Statement of Net Assets
Assets						
Cash and cash equivalents (Note 4)	\$ 5,223,089	\$ 5,219,431	\$ 28,212	\$ 10,470,732	\$ -	\$ 10,470,732
Due from other funds	2,535	-	-	2,535	(2,535)	-
Due from primary government	39,554	-	-	39,554	-	39,554
Prepaid and other assets	6,611	-	-	6,611	-	6,611
Fixed assets (Note 5)	-	-	-	-	24,290,779	24,290,779
Total assets	\$ 5,271,789	\$ 5,219,431	\$ 28,212	\$ 10,519,432	24,288,244	34,807,676
Liabilities						
Accounts payable	\$ -	\$ 1,163,512	\$ -	\$ 1,163,512	-	1,163,512
Accrued liabilities	-	-	-	-	273,346	273,346
Due to other funds	-	-	2,535	2,535	(2,535)	-
Due to primary government	155,347	-	-	155,347	-	155,347
Long-term debt (Note 7):						
Due within one year	-	-	-	-	585,000	585,000
Due in more than one year	-	-	-	-	26,415,000	26,415,000
Total liabilities	155,347	1,163,512	2,535	1,321,394	27,270,811	28,592,205
Net Assets - Fund balances -						
Unreserved:						
Designated for:						
Capital projects	3,578,000	4,055,919	-	7,633,919	(7,633,919)	-
Debt service	-	-	25,677	25,677	(25,677)	-
Undesignated	1,538,442	-	-	1,538,442	(1,538,442)	-
Total net assets	5,116,442	4,055,919	25,677	9,198,038	(9,198,038)	-
Total liabilities and net assets	\$ 5,271,789	\$ 5,219,431	\$ 28,202	\$ 10,519,432		
Net Assets						
Invested in capital assets - Net of related debt					(32,660)	(32,660)
Unrestricted					6,248,131	6,248,131
Total net assets					\$ 6,215,471	\$ 6,215,471

Dearborn Heights Tax Increment Finance Authority

		Police and Court		
		Building Capital	Debt Service	
	Operating Fund	Project Fund	Fund	Total
Revenue				
Property taxes	\$ 3,062,996	\$ -	\$ -	\$ 3,062,996
Interest and other	73,712	221,228	274,198	569,138
Total revenue	3,136,708	221,228	274,198	3,632,134
Expenditures/Expenses				
Public works:				
Administration	192,319	-	-	192,319
Van Born and Inkster Roads water main replacement	403,357	-	-	403,357
Beech Daly Road water main extension	14,277	-	-	14,277
Tree trimming	67,090	-	-	67,090
Storm sewer cleaning and lining	136,766	-	-	136,766
Depreciation	-	-	-	-
Public safety:				
Crime prevention officer	20,000	-	-	20,000
Fire station improvements	11,616	-	-	11,616
Recreation and culture:				
Library improvements	154,921	-	-	154,921
Daly Park improvements	39,722	-	-	39,722
Community and Economic Development -				
Westwood School improvements	127,371	-	-	127,371
Capital outlay - Police building	-	8,606,179	-	8,606,179
Debt service:				
Principal	-	-	580,000	580,000
Interest	1,013,300	-	335,823	1,349,123
Total expenditures/expenses	2,180,739	8,606,179	915,823	11,702,741
Excess (Deficiency) of Revenue Over Expenditures	955,969	(8,384,951)	(641,625)	(8,070,607)
Other Financing Sources (Uses) - Transfers -				
Internal activities	(629,695)	-	629,695	-
Net Change in Fund Balances/Net Assets	326,274	(8,384,951)	(11,930)	(8,070,607)
Fund Balances/Net Assets - July 1, 2001	4,790,168	12,440,870	37,607	17,268,645
Fund Balances/Net Assets - June 30, 2002	<u>\$ 5,116,442</u>	<u>\$ 4,055,919</u>	<u>\$ 25,677</u>	<u>\$ 9,198,038</u>

**Statement of Governmental Funds Revenue, Expenditures, and Changes in
Fund Balances/Statement of Activities
Year Ended June 30, 2003**

Adjustments (Note 3)	Government- wide Statement of Activities
\$ -	\$ 3,062,996
-	569,138
-	3,632,134
-	192,319
-	403,357
-	14,277
-	67,090
-	136,766
200,000	200,000
-	20,000
-	11,616
-	154,921
-	39,722
-	127,371
(8,606,179)	-
(580,000)	-
-	1,349,123
(8,986,179)	2,716,562
8,986,179	915,572
-	-
8,986,179	915,572
(11,968,746)	5,299,899
<u>\$ (2,982,567)</u>	<u>\$ 6,215,471</u>

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2003

Note I - Summary of Significant Accounting Policies

The accounting policies of the Dearborn Heights Tax Increment Finance Authority (the "Authority") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used:

Reporting Entity

The Dearborn Heights Tax Increment Finance Authority is a component unit of the City of Dearborn Heights, Michigan (the "City") and is included in the general purpose financial statements of the City of Dearborn Heights, Michigan. The Authority was formed under Act 450 of the Public Acts of 1980 to develop south Dearborn Heights. A development plan was adopted that is financed by property tax revenue. The accompanying financial statements present the Authority.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the governmental activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2003

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

Operating Fund - The Operating Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Police and Court Building Capital Project Fund - The Police and Court Building Capital Project Fund accounts for the construction of the police and court facilities.

Debt Service Fund - The Debt Service Fund accounts for all debt payments made on the outstanding debt balances of the Authority.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2003

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property and infrastructure assets (e.g., roads) are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Roads are depreciated using the straight-line method over 25 years.

Long-term Obligations - In the government-wide financial statements, long-term debt is reported as a liability. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted for the operating fund. All annual appropriations lapse at fiscal year end.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except for operating transfers have been included in "revenue" and "expenditure" categories, rather than "other financing sources (uses)."

Any amounts exceeding the budget must be approved by the Authority's Board through a budget amendment. The City Council also approves all budget amendments. During the current year, there were no significant budget amendments.

The budget process begins in December and January with the comptroller's office budgeting the personnel and fringe benefits expense for all City employees and providing the Authority with a budget form to be completed by the Authority's Board. These forms are due back to the comptroller's office by late January. The comptroller's office then analyzes these amounts and calculates the total budget.

In February, the mayor's office schedules meetings with all major departments, including the Authority's Board, to review their proposed budget and the budget is adjusted accordingly.

In late February and early March, the comptroller's office reviews the budget to verify that it balances. At this time, the mayor's office reschedules all major departments to do a final review of the departmental budgets. After the final review, the comptroller's office organizes the final proposed budget to deliver to the Authority's Board and to City Council. The City Charter requires that the City Council receive the proposed budget by April 1.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2003

Note 2 - Stewardship, Compliance, and Accountability (Continued)

During April and May, the City Council reviews the budget with the Authority. City Council meetings, held in April and May, provide all interest citizens an open forum where they can be heard. Upon review, and a subsequent public hearing, the Council adopts the proposed budget by resolution.

The budget must be adopted by Council by the first Monday in June. After the budget has been adopted, all budget amendments must be approved by Council.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the current year, the Authority incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
Administration	\$ 34,843	\$ 192,319
Library improvements	-	154,921
Interest	-	1,013,300
Transfers out	-	629,695

The negative variance for administration expenditures was caused by the Corporate Fund of the City charging the Authority for personnel used on the Authority's behalf. A budget was not adopted for the library improvements, interest expense, or transfers out in the current year, thus these expenditures have a significant negative variance.

Note 3 - Adjustments

Total fund balances and the net change in fund balances of the Authority's governmental funds differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental funds balance sheet.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2003

Note 3 - Adjustments (Continued)

The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 9,198,038
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds	24,290,779
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Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the funds	<u>(27,273,346)</u>
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Total Net Assets - Full Accrual Basis	<u>\$ 6,215,471</u>
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Total Change in Fund Balance - Modified Accrual Basis	(8,070,607)
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	8,606,179
Depreciation	(200,000)

Repayment of bond principal is an expenditure in the governmental funds, but is not reported as an expense in the statement of activities (where it reduces debt)	<u>580,000</u>
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Total Change in Net Assets - Full Accrual Basis	<u>\$ 915,572</u>
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Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2003

Note 4 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated one bank for the deposit of Authority funds. The investment policy adopted by the Board, in accordance with Public Act 196 of 1997, has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Dearborn Heights Tax Increment Finance Authority's deposits and investment policy are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements as cash and cash equivalents. The entire balance relates to bank deposits (checking accounts, savings accounts, and certificates of deposit).

The bank balance of the Authority's cash and cash equivalents is \$10,642,803, of which approximately \$800,000 was covered by federal depository insurance.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2003

Note 5 - Capital Assets

Capital asset activity of the Authority's governmental activities was as follows:

	Balance July 1, 2002	Additions	Disposals and Adjustments	Balance June 30, 2003
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,767,640	\$ -	\$ -	\$ 2,767,640
Construction in progress	9,493,835	8,829,304	-	18,323,139
Subtotal	12,261,475	8,829,304	-	21,090,779
Capital assets being depreciated - Roads	5,000,000	-	-	5,000,000
Accumulated depreciation - Roads	1,600,000	200,000	-	1,800,000
Net capital assets being depreciated	3,400,000	(200,000)	-	3,200,000
Net capital assets	\$ 15,661,475	\$ 8,629,304	\$ -	\$ 24,290,779

Depreciation expense was charged to the public works program as it relates to roads and sidewalks.

Construction Commitments - The Authority has the Police and Court Facility in progress at June 30, 2003. The total spent to date on this construction project is \$18,323,139. The remaining commitment under this construction contract is 911,980 at June 30, 2003.

Note 6 - Interfund Receivables, Payables, and Transfers

The Debt Service Fund owed the Operating Fund \$2,535 at June 30, 2003. In addition, the Operating Fund transferred \$629,695 to the Debt Service Fund to cover current-year principal and interest expense payments.

Note 7 - Long-term Debt

The Authority issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Authority.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2003

Note 7 - Long-term Debt (Continued)

Long-term obligation activity is summarized as follows:

	Matures	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities - General obligation bonds:							
Limited Tax Development Bonds	2009	5.70-6.30%	\$ 3,400,000	\$ -	\$ 450,000	\$ 2,950,000	\$ 450,000
Limited Tax Development Bonds	2019	4.75-5.00%	3,180,000	-	130,000	3,050,000	135,000
Tax Increment Bonds, Series 2001-A	2031	4.25-5.00%	21,000,000	-	-	21,000,000	-
Total general obligations			<u>\$ 27,580,000</u>	<u>\$ -</u>	<u>\$ 580,000</u>	<u>\$ 27,000,000</u>	<u>\$ 585,000</u>

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2004	\$ 585,000	\$ 1,316,591	\$ 1,901,591
2005	940,000	1,276,985	2,216,985
2006	1,020,000	1,227,547	2,247,547
2007	1,050,000	1,173,760	2,223,760
2008	1,110,000	1,117,086	2,227,086
2009-2013	3,955,000	4,923,389	8,878,389
2014-2018	4,525,000	3,997,817	8,522,817
2019-2023	4,540,000	2,920,266	7,460,266
2024-2028	5,300,000	1,676,250	6,976,250
2029-2033	3,975,000	306,875	4,281,875
Total	<u>\$ 27,000,000</u>	<u>\$ 19,936,566</u>	<u>\$ 46,936,566</u>

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2003

Note 8 - Designated Fund Balance

The balances of the designated fund balance accounts are as follows:

Water main improvements	\$ 187,000
Fire station improvement	200,000
Gulley Road improvements	400,000
Westwood capital	100,000
Daly Park improvements	48,000
Industrial park improvements	490,000
Police and court building	1,848,000
Sanitary sewer lining	155,000
Catch basin repair	<u>150,000</u>
Total fund balance	<u>\$ 3,578,000</u>

Note 9 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors, and omissions. The Authority has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - New Reporting Model

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Authority's activities, including infrastructure (roads, etc.).

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Authority has elected to implement both the general provisions of the statement and the retroactive reporting of infrastructure in the current year.

Dearborn Heights Tax Increment Finance Authority

**Notes to Financial Statements
June 30, 2003**

Note 11 - Subsequent Event

During September 2003, the bond holders of the partnership that operates the Central Wayne County Sanitation Authority did not release the funds necessary for the partnership to meet operating obligations. Consequently, the Sanitation Authority had to cease operations. The taxable value of the Sanitation Authority is captured in its entirety by the Tax Increment Finance Authority, where it accounts for 20.4 percent of the Tax Increment Finance Authority's captured taxable value. The future of the Authority is unknown at this time.

Required Supplemental Information

Dearborn Heights Tax Increment Finance Authority

Required Supplementary Information Budgetary Comparison Schedule - Operating Fund Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Fund Balance - Beginning of year	\$ 4,790,168	\$ 4,790,168	\$ 4,790,168	\$ -
Resources (Inflows):				
Property taxes	4,413,405	4,413,405	3,062,996	(1,350,409)
Interest and other	-	-	73,712	73,712
Total available for appropriation	4,413,405	4,413,405	3,136,708	(1,276,697)
Charges to appropriations (outflows):				
Public works:				
Administration	34,843	34,843	192,319	(157,476)
Van Born and Inkster Roads water main replacement	599,701	599,701	403,357	196,344
Beech Daly Road water main extension	-	-	14,277	(14,277)
Tree trimming	75,000	75,000	67,090	7,910
Storm sewer cleaning and lining	692,568	692,568	136,766	555,802
Public safety:				
Crime prevention officer	25,000	25,000	20,000	5,000
Fire station improvements	214,538	214,538	11,616	202,922
Recreation and culture:				
Library improvements	-	-	154,921	(154,921)
Daly Park improvements	90,000	90,000	39,722	50,278
Community and Economic Development -				
Westwood School improvements	227,831	227,831	127,371	100,460
Debt service - Interest	-	-	1,013,300	(1,013,300)
Transfers out	-	-	629,695	(629,695)
Total charges to appropriations	1,959,481	1,959,481	2,810,434	(850,953)
Fund Balance - End of year	\$ 7,244,092	\$ 7,244,092	\$ 5,116,442	\$ (2,127,650)